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USSR-CEMA TRADE

SHAPING CEMA INTERSTATE PRODUCTION COMPLEXES

Moscow IZVESTIYA AKADEMII NAUK: SERIYA EKONOMICHESKAYA in Russian No 3, May-Jun 82 pp 92-106

[Article by I. V. Dudinskiy and B. G. Dyakin: "Questions of Shaping Interstate Production Complexes of CEMA Member-Nations"]

[Text] Using much factual material, the article comprehensively examines the process of shaping interstate production complexes of CEMA member-nations in the most important branches of the national economy. The factors determining this process are described and the organic bond between this process and the implementation of long-range cooperation programs is established. It is demonstrated that the formation of interstate production complexes is in the mainstream of development of socialist economic integration. Interstate production complexes are a most important component in the future shaping, at a higher stage of integration, of the interstate economic complex of the CEMA member-nations.

Prospects for a substantial acceleration of the process of internationalizing a socialist type of production in the 1980's are closely linked to continued expansion of socialist economic integration. The unifying task is to ensure the dynamic and advancing development of higher forms of integration cooperation among CEMA countries and it assumes common means and methods of resolution. In summing up the results of the Crimean meetings of leaders of the fraternal parties and states which were held in 1981, the CPSU Central Committee Politburo noted: "The task of intensifying the economy has now been placed at the top of the agenda for a majority of the socialist countries. It is being resolved first of all through national efforts. In this regard, the importance of cooperation among the nations of socialism, both on a bilateral basis and within the CEMA framework, is steadily growing. The socialist states as a whole have available to them opportunities for resolving such cardinal national economic problems as increasing power capacities, achieving a qualitatively new level of machinebuilding, and fully meeting the demand for consumer goods and agricultural output. It is precisely towards this that the development of socialist economic integration, the on-going intensification of the international socialist division of labor, are oriented."¹

¹KOMMUNIST, No 13, 1981, p 3.

An ever more closely planned interaction of the national economic complexes of CEMA countries by activating their participation in the international socialist division of labor predetermines a stronger dependence among the individual phases and stages of the national-state reproduction cycles, the rise and maintenance of interstate economic proportions among branches producing and consuming objects and tools of labor, and longer and more stable cooperative ties at all levels of the national economy. The overall direction, scale and depth of the forthcoming changes in the economic systems of the CEMA countries and the integrated economy of the countries of the community which is taking shape will be determined increasingly by the requirements and terms of including as effectively as possible the national economic complexes of the CEMA countries in the international socialist division of labor system and of their cooperation.

The prospects for intercomplex cooperation among CEMA countries, for deepening and increasing the effectiveness of specialization of their national economic complexes and of further improving all types of national economic structures, and production (branch) and foreign-trade structures in particular, are directly linked to implementation of the long-range target cooperation programs (LTCP) approved at the 32nd and 33rd CEMA Session meetings and to implementation of the bilateral long-term programs for specialization and cooperation in the sphere of material production up to 1990 (LPSC) signed by the USSR and other European CEMA countries in 1979-1980.

Implementation of the measures in the Comprehensive Program, LTCP subprograms and branch LPSC programs will determine in practice the overall strategic line of CEMA-country integration cooperation in the current decade. Their actualization will facilitate intensifying, broadening and concretizing the entire sphere of multifaceted, coordinated (joint) production-economic activity regulated in a planned manner and will attach a multilateral, comprehensive character to it. Carrying out the large-scale, long-term plans and the proposed combining of financial assets, material and labor resources will increase resultancy and raise the level of participation of the national economic complexes of all CEMA countries in international production cooperation on the material basis of their mutual division of labor.

The LTCP's and LPSC's generally encompass the exact same branches of the national economy: fuel and raw material, power engineering, machinebuilding, metallurgy, chemistry, food and light industry, transport and agriculture. Intensifying interstate interaction and branch and interbranch coordination will therefore have two main consequences. First, integration cooperation will result in an increase in the interstate concentration of scientific research, technical developments and production to a level ensuring optimization of the quantitative and qualitative characteristics of interstate cooperation and, as a result of this, the attainment of high socioeconomic effectiveness of measures being carried out jointly. Second, mutual supplementation of the economic opportunities of the CEMA countries in a cross-section of inter- and intrabranh division of labor within the framework of the community will lead to progressive changes in the process of interweaving the stages (planning activity, scientific-technical preparation of production, investment and service activity) and phases (production, exchange and, in a certain sense, consumption, inasmuch as it will increasingly be "locked into" the cooperation) of the reproduction process.

Ensuring greater coordination of the basic parameters of development of the base branches of the national economy, and especially of the key branches of industry, on an interstate scale is realistically prepared for by concentrating the efforts of the national economic complex of each CEMA member-nation on its preferential participation in the division of labor along those priority directions of integration and those specific branches for which it has the best conditions. Such an approach to implementing the LTCP's and LPSC's, which is associated with an effort by the countries to increase resultancy on the basis of a mutual division of labor and to strengthen the economic system of countries of the community, requires a precise orientation towards combining one's own opportunities with the economically substantiated demands of its partners in integration cooperation.

The level of international interaction in the leading branches of the CEMA-country national economies in the 1980's will rise significantly as a result of the rising level of scientific-technical and production cooperation. The international character of CEMA member-nation economic policy on perfecting national economic structures, which is oriented towards making and carrying out coordinated (joint) decisions by coordinating investments which ensure an ever-increasingly close economic unification of the fraternal countries in their common interests, will be intensified even more. In this regard, the interconnections among the individual sectors of the national economic complexes of the CEMA countries concerned will become so deep and stable that they will, in the aggregate, increasingly function as interstate (branch and interbranch) production complexes (IPC's) of the CEMA member-nation. Interstate complexes are natural centers of the most intensive interconnections, concentrations of the highest activity of CEMA member-nation integration processes, the support "points" of the socialist internationalization of productive forces.

In connection with the implementation of LTCP's and LPSC's, questions of intensive shaping of, prospects for developing and systems for managing the production complexes take on particular urgency, since these programs extend to quite specific national-state production complexes of branch or interbranch nature. Under integration, the mutual division of labor among CEMA countries becomes not just the material basis of cooperation by state-organized (functioning) and economically collectivized national economic complexes, not just a condition for shaping intra- and interstate progressive economic proportions and a factor in raising the level of production concentration, but also a means of creating interstate production complexes.

International production complexes are a concrete form of coordinated development of a number of key branches of the national economy of CEMA countries. "Some of our agreements anticipate the creation of international production complexes unequalled in the world in terms of scale and technical level," Comrade N. A. Tikhonov stressed in his speech at the 35th CEMA Session meeting.

The shaping of concrete IPC's is consciously regulated using the means and methods of coordinated planning activity by CEMA member-nations. Creation of a mechanism for managing this process is not yet complete. Nonetheless, a certain "set" of tools is already being used both at the level of managing corresponding complexes within individual CEMA countries (central state planning agencies, ministries, departments, and so on) and at the interstate level (CEMA Executive Committee, committees, standing commissions, and others).

The specific forms of managing the process of creating interstate production complexes in key branches of the national economy at the international level include: the LTCP's and LPSC's,¹ whose importance to shaping IPC's has already been demonstrated above; coordinating state national economic plans; the system of long-term and annual trade agreements; contracts (agreements) on joint construction of national economic projects, on international production specialization and cooperation, on scientific-technical cooperation, on creating international economic organizations of various types, and so on.

The state plan for national economic development is an important tool of national-state management of the process of creating CEMA member-nation IPC's, inasmuch as it includes the basic assignments (obligations to carry out integration measures, to participate in cooperation, and the resources for this) and inasmuch as the state plan exclusively regulates the development of individual branches and complexes of branches of the national economy.

IPC activity is characterized by a high stability of material-technical content ties within the framework of sectors of the national economy and branches of industry which are directly coordinated and whose interaction is planned on a base of national-state ownership of the tools and objects of labor produced within the framework of the national economic complex of each CEMA member-nation and exchanged in the international socialist market with a view towards intensifying the coordinated use of the resources of countries of the socialist community, the fullest mutual satisfaction of their economically substantiated requirements and obtaining additional advantages as a result of making the functioning of corresponding complexes of branches in each of the CEMA member-nations and on a scale of the entire socialist community more efficient.

The main distinguishing features of the IPC's of the CEMA member-nations concerned are intensive and stable cooperative scientific-technical, production-technological and organizational-economic ties among the national-state production-economic units forming these complexes. Large-scale, technically-economically optimum, modern production facilities intended to meet the needs of all or a majority of the countries for corresponding output are created faster and with better substantiation within the IPC's. Functioning of the production complexes assumes the coordinated development of related (in terms of technical-technological, scientific-production and organizational-economic parameters) branches or aggregates of branches.

The creation of CEMA member-nation international production complexes corresponds to their interest in the rapid and effective development of the most important branches of the national economy, in obtaining increasing amounts of specific consumer values by organizing a common production process in whose course the united labor of the national collectives is substantiated. Such a production process anticipates a summation (in practice, a multiplication) of the means and resources of all partners of the countries concerned with their

¹Although the LPSC's are bilateral in form, they are at the same time multilateral in terms of the content of the intercomplex cooperation process, since they substantially supplement one another; moreover, such programs are signed between other CEMA countries without USSR participation.

collective use. In this regard, the countries proceed from the fact that the functioning of such complexes is based exclusively on national-state ownership (without it can also lead to the creation of individual interstate-owned facilities) and anticipates the comprehensive use of the methods and forms of coordinated (joint) planning activity. In such complexes, each state actualizes its rights to be a fully equal owner of the resources and means belonging to it, obtaining benefits from their more effective use in the system of international integration cooperation than it would were they used in the national economy of its own country.

One specific IPC feature is production-technological communality of function. From this viewpoint, IPC components have a "dual" affiliation: they are links in both the state and the interstate economic systems.

The above enables us to speak of the exceptional importance of the IPC's, in spite of the fact that some of them are only just taking shape, in the hierarchy of forms and methods of the socialist internationalization of productive forces and production relations, inasmuch as they are acquiring increasingly independent importance in the system of forms subordinated to achieving progress in this area. Yu. S. Shiryayev provides an examination and evaluation of the logical and historical outline of the collectivization process, justifiably concluding that it also includes the elements of "transforming collectivization in international forms into a relatively independent factor of the socialist process of collectivizing production (in particular, on the basis of working out long-range cooperation programs for the key branches of production and interbranch production complexes, developing collective forms of controlling their implementation, and the rise of international production systems, including systems which include facilities functioning on a base of shared ownership by a number of countries)."¹

CEMA member-nations have now embarked on the creation (or improvement) of the following IPC's: fuel-energy, raw and other materials, machinebuilding, agro-industrial, and the complex of branches of industry producing consumer goods, and transport. A generalized description of the problems and prospects for shaping these complexes up to 1990 is provided below.

The fuel-energy interbranch production complex of CEMA member-nations is a number of basic and service branches and subbranches, foremost of extractive industry, belonging wholly to these countries which are interconnected through integration forms of cooperation. This complex essentially consists of those national-state portions of it which closely interact with each other through integration forms and means of cooperation which reflect quite fully the evolved and achieved level of specialization of the national economic complexes of the CEMA countries. This complex is being created and, to a certain extent, is already functioning as a relatively complete formation being coordinated in the interstate sphere. Fuel-energy IPC functioning is called upon to provide for the economically substantiated needs of participant countries for the basic types of fuel and energy.

¹Yu. S. Shiryayev, "Role of International Production Systems in the Interaction of National Production Processes," in IZV. AN SSSR. SER. EKON., No 5, 1980, p 105.

The IPC in the area of fuel and energy is shaped on the basis of specializing CEMA-country national economic complexes, including those for producing lignite (briquettes) and petroleum products in the GDR, anthracite coal in the SRV [Socialist Republic of Vietnam], anthracite in the MPR [Mongolian People's Republic], anthracite and coke in the PPR [Polish People's Republic], petroleum products in the SRR [Socialist Republic of Romania], natural gas, anthracite, coke, electric power, petroleum and petroleum products in the USSR, and anthracite, coke and uranium ore in the CSSR [Czechoslovak Socialist Republic]. Total energy resources output in CEMA member-nations increased 1.5-fold (conventional calculation) during the 1970's, but we are faced with increasing the production of this type of resources approximately 1.6-fold in the 1980's in order to meet the demand for saving them up to 1990.

The fact that CEMA countries are meeting about 100 percent of their total import requirements for natural gas, 94 percent for coke, 95 percent for anthracite, 76 percent for petroleum products and 81 percent for petroleum through mutual trade channels is proof of the resultancy of using the opportunities of the fuel-energy complex taking shape. These figures are all the more significant in view of the fact that reciprocal trade accounts for about 54 percent of all foreign trade turnover by CEMA member-nations.

In a broader sense, the concept of the fuel-energy complex also includes the natural riches of the countries in the form of deposits of mineral and nuclear fuel, hydroelectric power potential, and so on. The whole branch structure of the national economy, the technical level of development of the branches of material production and types of technology being used, as well as the municipal- and personal-services power sector, is closely linked to this complex.

The fuel-energy complex has a number of features which distinguish it from other production complexes, except for the raw and other materials complex. Among the most important of these are: the dependence of output extraction (and, consequently, exports) on the natural conditions of the countries and the availability of fuel resources deposits,¹ nonrenewability of geological fuel reserves, high capital intensiveness of creating production capacities and the associated infrastructure, the slow turn-around and comparatively low effectiveness of financial means allocated to develop it, significantly prolonged construction cycles, high labor intensiveness of production, and so on.

In view of its objective natural-geographic and social-historical conditions, a special role belongs to the USSR within the interstate fuel-energy complex framework, as it has for many years now been in fact internationalizing its own natural resources for conditions and methods adequate to socialism.

In the future, a number of factors revealed during the 1970's will influence the development of the fuel-energy complex, and in particular, the limited opportunities in the area of capital investment in extractive industry and power engineering and deteriorating conditions for the international exchange of fuel-energy

¹According to available calculations, the USSR accounts for about 90 percent of all the energy resources of European CEMA countries, the PPR -- 8.3 percent, CSSR -- 0.5 percent, SRR -- 0.25 percent, HPR -- 0.15 percent and PRB -- less than 0.1 percent.

goods. The importance of joint efforts by the countries concerned on the coordinated development of the named branches of industry is therefore increasing. Practically all CEMA countries are faced with the necessity of working relatively poor and distant energy resources deposits, with increasing the extraction of solid fuel, developing waste-free technologies and economical equipment, with introducing better-substantiated norms of energy, fuel and raw material consumption.

The requirements of further developing the fuel-energy complex objectively dictate the necessity of a certain re-thinking of the strategy and tactics of fraternal-nation cooperation in the area of fuel and energy, of searching out progressive forms of that cooperation and new ways of developing corresponding branches at the national level. Development of the LTCP in the area of fuel, energy and raw material (the fuel and energy subprogram), whose implementation exerts a strong influence on improving and optimizing the fuel-energy complex, has been a definite reflection of these searches.

The corresponding subprogram of that LTCP and the bilateral LPSC's are important factors influencing the direction and intensiveness with which the fuel-energy complex of CEMA member-nations is shaped. Analysis of the problems and prospects of this process shows that it will be determined by the following factors in the next 10 years:

- a significant rise in the proportion of solid fuel in the structure of CEMA member-nation energy consumption;
- outstripping rates of AES [nuclear power plant] electric power generation;¹
- an intensive search for new fuel deposits and fundamentally new sources of energy;
- the necessity of maintaining adequate rates of fuel extraction and energy production (or imports) to preserve the achieved rates of increment in processing industry output;
- implementation of a system of coordinated measures to save energy resources in all CEMA member-nations, including lower specific fuel expenditures on electric power generation, lower fuel and energy expenditures on producing output,² and more thorough oil refining.

There will be further change in the economic conditions under which the CEMA member-nation fuel-energy complex functions in the 1980's: specific expenditures on the extraction and transport of energy carriers and on the production and transmission of energy will grow; fuel on the CEMA member-nation international market may become more expensive.

The effect of the revealed tendencies of expenditures growth on the utilization of new fuel deposits and the construction of energy facilities is leading to a

¹ By 1990, CEMA AES's will be providing $\frac{1}{4}$ of the electric power required. AES's will be producing 50 percent of all the electric power in the PRB in 1990, nearly 30 percent in the GDR, 25 percent in the SRR, and so on.

² GDR experience testifies to the great opportunities in this kind of measure. Thus, in 1980, this country ensured national income growth of 4.2 percent and manufactured goods production growth of 4.7 percent, given a 1.2 percent absolute reduction in fuel-energy resources consumption.

more pronounced manifestation of the necessity for planned unification of the material and financial resources of fuel and raw-material importer countries to develop their extraction in exporter countries. The precise orientation of CEMA countries towards saving fuel not only affects the reduction in specific expenditures, but will also include steps to alter the structure of processing industry along a line of interstate redistribution of energy-intensive types of production. For example, CEMA countries are implementing an agreement under which the USSR is expanding its production of energy-intensive, high-volume output such as ammonia, methanol and polyethylene in exchange for low-volume, less energy-intensive output being produced in other CEMA countries (chemical means of plant protection, paints and other materials for light industry).

A series of interstate CEMA-country agreements in this area will facilitate strengthening the coordination of fuel-energy complex operation. They include agreements on international specialization in the production of nuclear power plant equipment, on increasing oil-refining thoroughness, on specializing the production of equipment for oil-refining recovery processes, on equipment to extract and enrich solid types of fuel (a draft) and a number of others. A number of joint measures on the economically substantiated expansion of the use of renewable sources of energy and additional synthetic hydrocarbon raw material resources based on cooperation among the countries concerned will also operate along this same line.

Within the framework of carrying out LTCP measures in the area of fuel, raw material and energy, yet another IPC is also gradually evolving -- raw and other material -- which, along with the fuel-energy complex, is creating the foundation on which various processing industry "floors" are being built in CEMA member-nations. The raw and other material IPC includes functionally inter-linked, mutually supplementing national-state mineral and raw-material complexes of the CEMA countries. IPC functioning in the area of mineral raw material is characterized, on the one hand, by complex intra- and interbranch ties within the framework of the national economic complexes of the CEMA countries and, on the other, by a deepening of ties and growth in the mutual supplementation of their national-state mineral and raw-material complexes.

The present state of the CEMA member-nation raw and other material complex is characterized by comparatively intensive ties aimed at meeting their requirements for raw material, certain scarce semifinished goods and finished metallurgical, chemical and other output and, at the same time, by considerably less-developed ties in the area of intrabranh specialization and production cooperation. This makes it difficult to broaden the assortment and improve the quality of the output being produced or to create optimum capacities.

The IPC in the area of mineral raw material for metallurgy and chemical industry is evolving on the basis of specializing the national economic complexes of the CEMA countries, including the PRB, to produce copper, manganese and lead-zinc ore, the GDR, to produce potassium salts, the HPR, to produce bauxites (aluminum oxide) and manganese ore, the PPR, to produce copper, lead-zinc ore, table salt and sulfur, the SRV, to produce apatites, chromites and tin, the CSSR, to produce magnesites and manganese ore, Cuba, to produce nickel and cobalt, the MPR, to produce copper, tungsten and molybdenum, and the USSR, to produce iron ore, chromium ore, manganese ore, and so on. The production of all types of mineral

raw material is increasing in the CEMA countries. For example, total (commodity) iron ore production increased 1.2-fold during 1971-1980 in CEMA member-nations, to 248 million tons (these figures were 1.2-fold and 244.8 million tons, respectively, in the USSR). Some 96 percent of all the iron ore exported by the USSR was shipped to other CEMA countries in 1980, 91 percent of its manganese ore exports, 72 percent of its chromium ore exports, and so on.

Coordinated development of the national mineral and raw material complexes as anticipated in the LTCP in the area of fuel, raw material and energy (industrial raw material subprogram) will heighten the effectiveness with which both these branches and the national economic complexes of the CEMA countries as a whole function, and also the other international production complexes.

Improving the functioning of the CEMA member-nation mineral and raw material complex will facilitate the resolution of such important interbranch problems as lowering production materials intensiveness, increasing the amounts of reciprocal exchange of mineral raw material among participant countries, and so on.¹

Intensifying the production of raw material and making its consumption more efficient and lowering expenditures per unit of end product are not only a consequence of implementation of the industrial raw material subprogram of the corresponding LTCP, but also basic factors in development of the CEMA member-nation mineral raw material complex which is evolving.

The difficulties in resolving the tasks of developing this particular complexes are determined largely by the lack of agreement between the growth in the demand for mineral raw material and the limited opportunities for increasing production volume. Overcoming this lack of agreement is associated not only with the presence (or absence) of mineral raw material in the ground and limitations of a technical nature on its extraction and use,² but also with inadequate economic opportunities for providing branches of the complex with the needed material, labor, financial (currency) and other resources. It should be added that mineral resources will be extracted under increasingly less favorable geographic and geologic conditions, that is, the labor- and capital-intensiveness of mineral raw material will increase. A number of problems in operating the mineral and raw material (and the fuel-energy) complex are dictated by the nonrenewability and nonsubstitutability of mineral resources, by increasing expenditures on creating the necessary infrastructure, on environmental protection, and others.

High materials-intensiveness will increasingly become a factor limiting development of processing industry, increased social production efficiency and higher rates of economic development, as well as cooperation as a whole in some CEMA countries.

¹Nearly 70 percent of the CEMA-country iron and manganese ore import requirements are met through reciprocal deliveries. Czechoslovakia, for example, will be receiving an additional 2.0 to 2.4 million tons of iron-ore raw material (recalculated to iron) after construction of the Krivoy Rog combine in the USSR is complete (1986-1990).

²CEMA countries help each other build capacities to process raw material for various branches of industry. Thus, in 1980, the PRB produced 95 percent of its ferrous and 83 percent of its nonferrous metals and 80 percent of its chemical industry output at enterprises built with USSR assistance.

Implementation of the overall policy of intensifying the production and ensuring the economical expenditure of mineral raw material is associated with the joint resolution of complex tasks of a scientific, technical and production order and requires the coordinated use of scientific-technical potential and material, labor and financial resources. It is possible only on the basis of a deepening of integration ties among the national mineral and raw material complexes as complexes mutually supplementing each other and gradually shaping the mineral and raw material complex of CEMA member-nations. For example, the USSR, GDR and HPR render Bulgaria a variety of assistance in increasing capacities at the "Elatsite" copper ore-enrichment combine, which capacity will be 10 million tons of copper ore. In turn, the PRB is substantially increasing deliveries of copper cable on the basis of an "InterELEKTRO" agreement, which will permit the organization of its large-series production.

Thus, development of the fuel-energy and mineral and raw-material complexes in the forthcoming decade will result to an even greater degree than previously from the mutual cooperation of CEMA countries on the basis of implementing multilateral and bilateral integration measures. At the same time, it is closely associated with and to a considerable extent mediated by the development of the CEMA member-nation machinebuilding complex, which encompasses the entire structure of the machinebuilding branches and production facilities and which is manifested in international production specialization and cooperation and concomitant foreign trade ties.

Development of this complex in the 1970's proved that an increasing part of the machinebuilding branches of the CEMA member-nations is being enlisted in the international division of labor; their interaction is being broadened and its complexity increased, exerting a decisive influence on shaping a unified machinebuilding production complex. CEMA member-nations meet about 68 percent of their import requirements for machinery and equipment through reciprocal deliveries.

By the early 1980's, CEMA countries were producing nuclear equipment, computer equipment and control computers, NPC [numerical preset-control] machine tools, scientific devices incorporating advances in electronics and chemistry, atom-splitting, a variety of treatment-plant equipment, laser equipment, and so on, through international specialization.

The basic difficulties in shaping and developing the machinebuilding complex are these: unnecessarily broad machinebuilding universalization in a number of countries, long capital construction periods and long schedules for mastering new production facilities, relatively low technical level of some machinery and equipment (including that in reciprocal trade turnover), insufficiently efficient technological and reproduction structure of assets in use in a number of countries, and a low level of return on capital, given significant reserves for raising that indicator. Overcoming these and other difficulties sets CEMA countries the overall tasks of developing the machinebuilding complex. They include ensuring actualization of the impact of production concentration and better satisfaction of the growing requirements of CEMA countries for modern equipment, machine systems, devices, durables, the creation of export stocks, and a higher technical level of machinebuilding and quality of the items it produces. Significantly, the aggregate machinebuilding output volume increased

2.5-fold in CEMA member-nations during 1971-1980, given 84-percent growth in the total volume of industrial output during that same period.

The most important task of integration cooperation is to attain a high level of coordination in developing machinebuilding branches on the basis of deepening international production specialization and cooperation. Thus, reciprocal deliveries within the framework of contract specialization increased from 330 million rubles in 1970 to approximately 25 billion rubles in 1980. The share of specialized deliveries in total exports of machinery and equipment is approximately 34 percent, while it was 18 percent in 1973. The tendency towards developing the production of technically advanced machinery and equipment, deepening intrabranch division of labor and broadening cooperative ties on the basis of parts and subassembly specialization has intensified on this basis in machinebuilding in countries of the socialist community. CEMA countries are trying to use international specialization as an important factor in restructuring machinebuilding production facilities on the most modern technical basis and broadening the scope of production of scarce progressive equipment.

Major changes are also occurring in machinebuilding exports of CEMA countries. In 1980, exports of machinery and equipment had increased 80.1 percent as compared with 1975, given an overall export volume growth of 69.3 percent. Scientific-technical progress and the structural shifts caused by it in the national economic complexes of the CEMA countries have led to a situation in which the proportions of exports of machinebuilding output have gradually changed in favor of the most dynamic branches; there is a reorientation towards the forced development of exports of items with a high degree of machining, as well as towards improved quality in a number of items requiring significant expenditures of skilled labor. We also need to note the growth in the share of complex machinery and equipment with increased science-intensiveness, which require the organization of a broad network of technical services.

At the same time, CEMA countries are gradually curtailing insufficiently efficient production facilities and replacing items withdrawn from production with imports from other countries of the community. In so doing, cooperative opportunities for raising the level of production concentration are being used more extensively.

Further development of the machinebuilding complex of CEMA member-nations will be determined by the results of major steps being taken to accelerate the rates of scientific-technical progress and further deepen specialization. The main directions of this cooperation are outlined in considerable measure in the corresponding LTCP's and LPSC's.

Agreements are already being carried out which anticipate meeting the requirements of CEMA countries for the basic types of machinery and equipment for ore-mining industry, oil and gas refining, agriculture, light industry, and equipment and installations to obtain chemical products. Several agreements anticipate developing machinebuilding branches ensuring a qualitative restructuring of that industry. In particular, there is cooperation on NPC machine tools, automated machine-tool lines, special heavy-duty and single-purpose machine-tool equipment and foundry equipment. Development of the CEMA member-nation machinebuilding complex in the upcoming period will also be determined by more

thorough cooperation in automobile manufacturing, agricultural machinebuilding, the production of road-building machinery and equipment, and a number of other types of production.

Up to 1990, CEMA countries will be faced, on the one hand, with seeking out and actualizing new reserves for cooperation in the field of machinebuilding and, on the other, with intensifying the influence of integration on expanding the scope of and perfecting the interstate machinebuilding complex.

The IPC's described above -- fuel-energy, mineral raw material and machinebuilding -- have been created and are already operating, in broad outline; the task relative to these complexes is to perfect their functioning. The IPC's examined below -- agroindustrial and consumer goods -- are only just being created. As concerns the transport complex, it is apparently at the same level as the three IPC's noted above.

The agroindustrial production complex of CEMA member-nations is being formed at the "junction" at which agriculture interacts with branches of industry providing it with means of production (machines, machinery, fertilizers) and those processing its output. The basic goal of the complex is to meet the requirements of the populace of CEMA countries for food in the form of grain, meat, vegetables, fruit and other foodstuffs, the requirements of stockraising for feed, and the requirements of corresponding branches of industry for agricultural raw material.

This IPC is being formed considerably slower than are the IPC's in the areas of machinebuilding, fuel-energy and mineral raw material. Among the reasons for the delay in this process we should cite the poorer adaptability of agriculture to industrial methods of production, the greater dependence on soil, climatic and geographical conditions than in other branches, imperfection in the process of creating agroindustrial complexes within individual CEMA countries, the greater autonomy of development of its branches in the border regions of individual countries, and so on. We have only just begun forming more or less stable production ties among the national-state agroindustrial complexes of the CEMA countries as well. In terms of its possibilities, the IPC of CEMA member-nations in this area will in the future be able to meet all the growing requirements of these countries for agricultural output and a variety of foodstuffs, given its further intensive development and increasingly close interaction among its national units.

In recent years, and in spite of the unfavorable weather conditions which developed over a number of years, the fraternal countries have achieved very substantial growth in agricultural output by using the opportunities provided by agricultural industrialization and chemization, as well as the advantages of economic and scientific-technical cooperation within the CEMA framework. Thus, agricultural total gross output in CEMA member-nations as a whole had increased 22 percent in 1980 as compared with 1970, including a 28-percent increase in stockraising output. The tractor fleet increased 35 percent and mineral fertilizers consumption increased 65 percent.

Average grain crop yield exceeded 40 q/ha over the past three years in the HPR, GDR and CSSR.

However, productiveness and level of labor productivity in this branch of the national economy are low and amounts of reciprocal deliveries of its output are low in a majority of the CEMA countries. This is associated first of all with the still inadequate deliveries to agriculture in CEMA member-nations of fertilizers, toxic chemicals and feed additives; the scope and qualitative level of reclamation work are inadequate; there are insufficient capacities for transporting, storing and processing agricultural output.

At present, as a result of intensified agroindustrial cooperation within the CEMA framework, a definite specialization of the production and reciprocal delivery of agroindustrial complex output has evolved. The PRB, HPR, Cuba, MPR and SRR are specialized to produce and deliver agricultural raw material and foodstuffs; the GDR, SRR and USSR -- means of mechanization and mineral fertilizers; the PRB and GDR -- chemical means of plant protection to lagging CEMA member-nations; the GDR, PPR and CSSR -- equipment for food industry.

The interbranch division of labor in CEMA countries in this area is supplemented by an interbranch division. In this regard, the PRB, HPR and SRR are the major producers and net-exporters of basic types of farm output to the CEMA market, and its primary consumers are the GDR, Cuba, MPR, PPR and CSSR. In terms of basic types of agricultural output, the following specializations have evolved and become stable within the CEMA framework: grain production and deliveries -- USSR; fresh vegetables -- PRB, HPR, SRR; fresh fruit -- HPR, PRB, SRR and, in part, PPR; meat and meat products -- HPR, SRR, PRB, MPR and PPR; eggs -- HPR, PRB, PPR and CSSR; citrus and bananas -- Cuba.

As concerns means of mechanization for agriculture, the question today is what countries must be specialized to produce what types and meet what needs of the community for machinery and equipment for stockraising, including feed preparation. Problems of stimulating the production of specialized types of agricultural output, uniting the efforts of CEMA countries to accelerate development of the production and export of such types of agricultural output as cotton in the USSR, meat in the MPR, citrus in Cuba and the SRV, in order to use the specific conditions of the individual countries in the common interest, must be resolved within the agroindustrial IPC framework.

Implementation of the food LTCP is based on making deliveries of machinery and equipment, chemicals, agricultural output and foodstuffs and developing scientific and technical cooperation¹ in ways that are coordinated on a scale of the whole agroindustrial complex, based on its entire multibranch structure. It is called upon to facilitate accelerated growth in its productiveness. Implementation of this program will strengthen the self-sufficiency of CEMA member-

¹Considerable work has been done in CEMA countries on a cooperative basis to single out new and more productive and economically more valuable varieties of a majority of the basic agricultural crops, to introduce promising and highly productive varieties and hybrids into production; we are effectively combatting the most dangerous and quarantine-warranting pests and solving the problems of specializing the testing and mutual use of genetic stocks of the most important breeds of agricultural livestock and poultry, increasing the number of head of livestock, improving its productiveness, improving breeding work, and so on.

nations in agricultural output and will accelerate the formation of national-state agroindustrial complexes and, simultaneously, the interstate agroindustrial complex.

The CEMA member-nation interstate complex for producing manufactured consumer goods includes enterprises of branches of industry producing consumer goods. The importance of this complex results from the fact that the scale of international consumer goods exchange and their role as an export resource are steadily growing. In turn, this makes higher demands on the search for ways of developing this evolving complex and of perfecting its structure.

The establishment of an IPC in the area of consumer goods is characterized by the development of scientific-technical, production and foreign-trade cooperation. For example, the PRB is specialized to produce and deliver textile goods; the HPR -- refrigerators (freezers), footwear, cotton and silk products, garments and pharmaceuticals; the GDR -- photographic equipment, sewing machines and motorcycles; the PPR -- sewing machines, wool fabrics, clothing, linen and furniture; the USSR -- photographic equipment, watches and cotton fabrics; the CSSR -- glass, porcelain, ceramics, textiles, furniture and footwear. In this regard, the production and export of consumer goods are increasing and the quality of items for international exchange is being improved.

Deepening cooperation within the framework of this complex along the indicated directions will enable us to raise the level of its conformity to consumer demand, since it will, on the one hand, lead to increased production capacities for those consumer goods still in short supply and, on the other, cause a substantial improvement in the quality of those consumer goods whose production volume does correspond to the demand.

Future development of the complex is associated with implementing the LTCP for meeting the efficient requirements of CEMA member-nations for manufactured consumer goods. It pays the most attention to measures in the area of household appliances manufacture, home electronics and raw material.

The LTCP exerts a substantial influence on strengthening production and scientific-technical ties among CEMA countries in the area of producing consumer goods of cultural and personal types (furniture, radio and electronics items,¹ and so forth), as well as those which are products of chemical raw material processing. It will have a substantial impact on improving the production base of the complex, both along the line of renovating the equipment being used and along the line of improving the quality of raw and auxiliary materials to produce various types of consumer goods.

The countries are implementing measures to provide light and radio-electronics industry with individual types of raw and other materials, semifinished products, machinery and equipment necessary to expand the production of finished goods.

¹The CEMA countries concerned have already begun carrying out an agreement on scientific-technical cooperation in developing and creating promising new models of color television sets, technically sophisticated household videotape units, modern refrigerators, freezers, automatic washing machines and basic parts and subassemblies for them.

By early 1981, a products list had been worked out, the demand had been revealed and technical requirements established for individual types of raw and other materials, machinery and equipment.

All this testifies to the broadening and deepening of integration forms of CEMA-country cooperation in the area of producing consumer goods and intensifying the shaping of an interstate production complex. In this connection, we need to intensify the impact of this cooperation on raising the level of saturation of CEMA-country internal markets with consumer goods. To do this, new forms of cooperation are being put into practice; in particular, we are organizing the release of several types of output using spun raw material, and so forth. At the same time, we are resolving the problem of involving Cuba and Vietnam, which have considerable manpower reserves, as well as a high level of development of individual branches of light industry,¹ more actively in mutual cooperation in this area.

Transport, as the material carrier of the international division of labor, plays a most important role in meeting the growing foreign trade shipments requirements of the CEMA countries and in ensuring the uninterrupted operation of the interstate production complexes. CEMA member-nations are creating a unified transport system in the form of a unique interstate complex including practically all types of transport and anticipating the implementation of special measures to accelerate operations at transshipment centers.

In 1980, total freight turnover had increased 62 percent and passenger turnover 56 percent in CEMA member-nations as compared with 1970. Rail transport's share of total freight turnover in CEMA member-nations as a whole dropped 9.8 percent during 1971-1980, river transport decreased 0.5 percent and maritime transport 1.5 percent; the share of pipeline transport increased 11.2 percent during that period and the share of automotive transport increased 0.6 percent. Expenditures on shipping foreign trade freight by CEMA member-nations rose approximately three-fold this past decade.

The share of transport in the structure of total national income produced by CEMA member-nations during 1971-1980 increased insignificantly, rising most in the MPR -- three percent.

The IPC in the area of transport serves to establish and maintain an international proportion between the amount of goods needing interstate shipment and the capacities of all types of transport serving international shipment.

Improving the status of and working conditions in transport requires an increase in the structure of investments being allocated to develop the transport infrastructure (network of routes and rolling stock), making its structure more efficient, and bringing it into accord with the demands for the more complete and effective provision of both internal and international transport ties. The

¹The SRV, for example, has developed the production of wool sweaters, gloves and cotton-fabric linens which are exported to the USSR, HPR, CSSR, GDR and MPR. In cost terms, the amount of output being exported by a number of enterprises has increased from 10 percent in 1976 to 50 percent in 1980.

joint or coordinated capital investments of CEMA countries must be directed first of all into developing the pivotal elements of a more integrated transport system of the community, those which are now constraining its shipping and throughput capacities.

Coordinating the plans for developing international shipments and the means of transport used for them and use of the system of international transport organizations also require improvement. Shipments must be made more efficient, including through a more efficient distribution by type of transport, the introduction of progressive technologies,¹ ensuring the more intensive use of means of shipment, creating large international transport-technological complexes, and working out an efficient transit-shipment scheme.

The above-indicated directions for improving the transport ties of CEMA countries are closely connected with LTCP measures to be implemented in the area of transport.

The congresses of the CEMA-country fraternal parties which were held during 1979-1981 paid much attention to questions of the long-range development of the socialist economic integration process, and in particular in connection with actualizing LTCP's and LPSC's. The "Basic Directions of USSR Economic and Social Development in 1981-1985 and Up To 1990" notes: "Actively participate in further deepening the socialist economic integration of CEMA member-nations. Systematically continue implementing the CEMA member-nation long-range target cooperation programs aimed at resolving the most important problems of power engineering, fuel and raw material branches, machinebuilding, agriculture, transport and consumer goods production, as well as bilateral long-term production specialization and cooperation programs."²

The process of shaping CEMA member-nation interstate production complexes testifies first of all to the deep penetration of integration cooperation into the national economies. However, the degree of integration interaction of the national units is dissimilar within the individual IPC's. In the fuel-energy, mineral raw material, machinebuilding and transport complexes, it is considerably higher than in the agroindustrial and consumer goods production complexes. This circumstance indicated, in particular those spheres (areas) in which unused integration reserves are especially high.

Second, the CEMA member-nation IPC's being shaped and improved in the indicated sectors of their national economic complexes reflect the basic directions of further deepening the integration process. The following interconnected processes will be occurring simultaneously: increasingly active production-technical and economic ties within each interstate complex, and intensified intercomplex interconnections both within the framework of the division of labor among the national economic complexes of the CEMA countries and on the plane in which

¹For example, by 1990 the volume of containerized shipments will have increased four-fold as compared with 1975.

²"Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, Izd-vo Politizdat, 1981, p 196.

each IPC functions. Of course, the depth and scope of these processes will be dissimilar. The machinebuilding complex will be distinguished by particular intensiveness in the development of these ties. All the processes cited and described above are very important components of the gradual shaping of the future integrated economic complex of CEMA member-nations, although the prospects for its development in finished form are very remote.

Thus, the level of integration of the national economic complexes of the CEMA countries which has currently been achieved and an analysis of its prospects offer grounds for delineating production -- branch and interbranch -- complexes of CEMA member-nations within the framework of the evolving international structure of a world socialist economy. Each of these complexes is a consequence of the establishment and development of especially close integration ties of certain sectors (branches) and the national economic complexes and possesses a certain (relative) independence of operation on the basis of carrying out a corresponding LTCP and implementing LPSC's. The shaping of IPC's reflects the process of strengthening ties among the basic elements of the national economic structure in the CEMA countries, intensifying the importance of wholeness of the world socialist economy.

Completing the creation and expanded functioning of IPC's testifies to progress in the processes of internationalizing a socialist type of economic life. The relatively near prospects for further deepening these processes consist in creating in general outline and operating a CEMA interstate economic complex (IEC). It represents a relatively complete economic system arising on a base of developed (mature) production and labor internationalization consisting of national economic complexes, given retention of the state system. This complex is gradually evolving and, as it evolves, functions thanks to the increasing stability of comprehensive, planned, efficient production-economic interconnections among the CEMA member-nation individual national economic complexes, which encompass all stages and phases of expanded reproduction, thanks to the stability of the interstate economic proportions which have been established and are being reproduced in key types of output (goods).

Interstate production complexes are not only the material-organizational basis of the developing CEMA interstate economic complex, but also integral parts of it, along with which the IEC is being formed by the national economic complexes of the CEMA countries. As the IPC's are created and operate, the IEC will take on increasingly practical features specific to it.

One stage in the formation of the IEC, the creation of efficient national economic complexes in the CEMA countries and an economically substantiated specialized macrostructure, is nearing completion, but the process of optimizing them will still be a protracted effort.

As integration processes deepen, the processes of specializing the national economic complexes (at meso- and micro-levels of the national economic structures) will be more fully developed. The dynamics and resultancy of developing a mutual division of labor are largely predetermined by the degree to which the overall orientation of specialization in the national economic complexes coincides (measure of agreement). This same process prepares for the increasingly close interweaving of reproduction processes, the mutual supplementation of

the national economic structures and the increasingly complete mutual adaptation of the complexes themselves.

Dynamic equilibrium and the progressing coordinated proportionality which have evolved and are being maintained among the various factors of the production process will be increasingly determined not by their presence in individual CEMA countries, but by the organization of their uninterrupted and expedient movement on a scale of the entire socialist community and a form assuming their optimum use. This process is largely connected with the long-range shaping of IPC's in the most important branches of the national economy. Thus, the creation of interstate production complexes corresponds to the immediate prospects for deepening socialist economic integration and the more remote prospects for developing the process of internationalizing a socialist type of economic life, and it also corresponds to the forthcoming decade of intensive and mutually coordinated intercomplex cooperation by CEMA countries.

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USSR-CEMA TRADE

ADVANTAGES OF INTRA-CEMA TRADE EXTOLLED

Ashkhabad TURKMENSKAYA ISKRA in Russian 10 Sep 82 p 3

[Article by TASS commentator V. Petrunya: "An Important Factor of the Growth of the Economy"]

[Text] If we regard foreign trade as a barometer which reflects the development and state of the economy, the mutual barter of the CEMA member countries has always pointed to and is pointing to "clear."

And it is natural: the present level of industrial production of the states of the community has exceeded by more than 20-fold the level of development of the countries which occupied this territory prior to World War II. But what did trade show? In 1980 the volume of total reciprocal exports and imports of the CEMA countries exceeded the 1950 volume by more than 25-fold. It has reached more than 120 billion rubles.

The foreign trade turnover, which is increasing on the basis of the successful development of the economy, has become a component of the overall process of the expansion and intensification of socialist economic integration. From it it is possible to judge, how the economic relations between the fraternal countries have changed and acquired a new qualitative content. At the initial stage foreign trade contributed to the restoration and the reorganization of the structure of the national economy of the states of the council. It helped to accomplish the tasks of expediting industrialization--first of all in the less economically developed countries. Now the mutual deliveries of goods, having become an important means of strengthening economic, scientific and technical ties, are having an appreciable influence on the increase of production efficiency.

They are enabling the majority of CEMA countries to meet the bulk of their import needs for machinery and equipment, iron ore, petroleum, industrial consumer goods. In recent years the share of the reciprocal commodity turnover in the total volume of the foreign trade of our states has amounted to 50-60 percent. This is natural: the international specialization and cooperation of production are intensifying--the reciprocal exchange of goods is also developing dynamically.

About 800 multilateral and bilateral agreements on the specialization and cooperation of production, which envisage a large set of reciprocal deliveries of diverse goods, are now in effect within CEMA.

The development of specialized deliveries of machines and equipment has been especially noticeable. During the past five-year plan, for example, the volume of deliveries of specialized machine building products increased by 2.8-fold. And the proportion of such items in the total exports of machines and equipment is steadily increasing: in 1975 it came to 22 percent, while in 1980 it came to 34 percent. Hence, fundamental structural changes are occurring in reciprocal trade.

The following indicators of the "barometer" also reflect the participation of the CEMA countries in the intensification of the international socialist division of labor: the growth rate of their reciprocal commodity turnover is considerably higher than the growth rate of the national income and industrial production. Under present conditions this is especially important: the strengthening of mutual ties makes it possible to oppose more effectively the adverse influence of the unstable conditions of the world market.

The profound advanced structural changes in reciprocal trade attest to the increase of the effectiveness of exports. The deliveries of goods with a high degree of industrial processing are increasing most dynamically. In other words, finished items are becoming more and more an object of trade. On the other hand, the exports of raw materials and the products of their processing (nonfood consumer items) during the 30-year period of activity of CEMA have decreased by several fold.

The foreign trade of our countries is being conducted on a planned, equal basis. It meets the interests of the development of the economy and the increase of the well-being of the peoples. In the total volume of the foreign trade turnover among CEMA countries the Soviet Union holds first place. It accounts for 38 percent of the turnover of their reciprocal trade (according to the data for 1980). The USSR--a state with a large economic, scientific and technical potential--is delivering fuel, raw materials, machines and equipment and other items to the fraternal countries. In the countries of the council large projects, which are of great importance for their economy and for the development and intensification of integration ties, are being built with the technical assistance of the USSR and with the use of Soviet scientific and production know-how.

Using the capacious Soviet market, the CEMA countries are carrying out the stable guaranteed marketing of their items of machine building, equipment, means of transportation and consumer goods. Thus, we receive about 80 percent of the ships and ship equipment, which the European CEMA countries export, approximately 60 percent of the railroad rolling stock and nearly two-thirds of the equipment for the chemical and food industries.

In the reciprocal trade within CEMA, which is based on the principle of a state monopoly in each of the countries, complete equality is being realized, it is ensured by the general terms of the deliveries of goods. This document, which has become for the first time in international trade a uniform legal regulation of all key questions of foreign trade buying and selling arrangements, was approved 15 years ago. The general terms are of a mandatory nature for all the organizations of the countries of the council, which are authorized to make foreign trade deals.

In the Comprehensive Program of CEMA it is noted that the international socialist division of labor is being organized with allowance made for the world division

of labor. But how is one to escape the adverse influence of the conditions of the capitalist market? The countries of the council collectively elaborated their principles of pricing in reciprocal trade. In accordance with these principles the prices are established on the basis of world prices, but, so to speak, with the elimination of the harmful effect of capitalist market conditions.

In conformity with the recommendations elaborated by CEMA organs, contract prices are set annually on the basis of the average world prices during the immediately preceding 5-year period. For example, the contract prices for 1981 were set on the basis of the average world prices during 1976-1980, while those for the current year were set on the basis of the average world prices during 1977-1981.

All this is making it possible to create favorable conditions for the development of the reciprocal trade of the fraternal countries--with allowance made for objective world economic processes. The planned cooperation in the development of reciprocal trade has become an important stabilizing factor of the increase of the economic potential of the countries of the socialist community.

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COORDINATING INVESTMENTS AMONG CMEA MEMBERS

Moscow FOREIGN TRADE in English No 10, Oct 82 pp 13-17

[Article by Alexander Belovic, Cand. Sc. (Econ.), Czechoslovakia: "Some Problems of CMEA Countries' Investment Coordination"]

[Text]

The change of most CMEA countries from extensive to predominantly intensive economic development lends particularly great importance to measures for rationalizing the use of all factors assisting economic growth, investments included. In order to use investment to the best advantage consideration of the possible effects arising out of these countries' participation in the international division of labour is highly important. The investments are interrelated with foreign trade. The degree of a country's participation in the international division of labour in large measure predetermines the trends and structure of investments. At the same time there is a feedback in this process, i.e., the volume, structure and trends of the CMEA countries' foreign trade, the export-import ratio, the effectiveness of this trade are to a considerable extent the result of the investment policy being pursued by them over a long period.

The ever more active participation of the CMEA member-countries in the international division of labour, above all in the process of international socialist economic integration, tends to strengthen the interplay between their investments and their external economic relations. The sphere of investments not connected with the international division of labour is gradually becoming smaller. At present the economic integration of the CMEA countries affects not only those investments involved in the integration process, but the other types of investments as well. When determining the influence of international division of labour on investment pol-

icy one should consider such factors as the comparison of the effectiveness of imports and one's own production, the correspondence between the optimal production capacities and the needs of all the countries concerned, the potentialities of partner countries, and so on.

It is possible to reduce investments in a country's low efficient industries by participating in the setting up of productive capacities on the territory of other CMEA member-states. The orientation of economic cooperation between the CMEA members towards intensification of their economies cannot be conceived without the concentration of their resources, including investments, for the accomplishment of common macroeconomic tasks. Such concentration can primarily be in the form of joint or coordinated channelling of investments into the agreed spheres of production.

The deepening of international socialist economic integration makes it necessary to coordinate the CMEA members' investments in handling many problems connected with the implementation of long-term specific programmes of cooperation, ever more efficient supply of progressive equipment and machinery, fuel, energy, raw materials, industrial consumer goods, foodstuffs, transportation services and also with improvement of the existing structure of economic complexes.

Coordination of the CMEA countries' investments should be carried out on the basis of mutual advantage, when each of the countries concerned benefits by the coordinated use of funds invested much more than by investing in the manufacture of its own output of the relevant product.

The coordinated concentration of investments has enabled the CMEA-member-states to set up within a relatively short period additional productive capacities to turn out a whole range of goods. The matter mainly concerns those projects being built jointly by the CMEA countries, which are incorporated in the Coordinated Plans for Multilateral Integration Measures for 1976-1980 and for 1981-1985.

The following figures will show how advantageous it is for Czechoslovakia, for instance, to participate in building the Khmel'nitski atomic power station (4,000 MW) on Soviet territory. Beginning with 1984 the country will be receiving ever greater supplies of electricity up to 3,600 million kWh in

1988, which corresponds to a power-generating unit with a power rating of 600 MW; the construction of such an installation would require approximately 5,000 million korunas, i.e., much more than Czechoslovakia's share in the project. Moreover, a power station of such a capacity would annually consume over 1.4 million tons of equivalent fuel, or 3.4 million tons of brown coal.

The advantage for Czechoslovakia of her participation in agreements on international specialization and cooperation in production, needing investment coordination, can be illustrated by the Multilateral Agreement between the CMEA member-countries on specialization and cooperation in manufacturing energy-intensive and less energy-intensive chemical products; this agreement will enable Czechoslovakia to save in 1981-1985 about 570,000 tons of equivalent fuel and 1,700 million korunas on capital investments.

The CMEA countries do not set themselves the task of coordinating the entire volume of their investments, but only that part intended to develop the international socialist division of labour. Investment coordination enables the CMEA member-countries concerned to solve those complicated socioeconomic problems which can only be effectively handled through the balanced concentration of investment resources.

Capital investment coordination is not an autonomous form of cooperation between the CMEA member-states but is an integral part of their joint planning activity and their international specialization and cooperation in production. It acquires special importance when the agreed solution of major economic problems by the member-countries concerned calls for setting up new and expanding existing projects.

We believe, moreover, that by coordinating their investments the CMEA countries can solve the following problems:

Optimal concentration of capital investments can be ensured by combined efforts of CMEA countries, which is difficult to do by using the resources of only one country. Scientific and technological progress makes ever more rigorous demands as concerns the optimal level of concentration of a country's production, scientific and technical potential. That is why each member-country which has

large-scale production in mind needs big investments, which often exceed its own investment potentialities. In such cases it is advisable to invite investment resources primarily from those countries for whom the import of the relevant product is effective and fully compensate the advanced capital.

The relatively limited nature and geographically uneven distribution of natural resources, the more difficult conditions of their mining and the growing capital-intensity of the extractive industries make it necessary for the CMEA countries to coordinate their capital investments with a view to an ever more effective and quickly meeting of the constantly growing needs of their economies for fuel, energy and raw materials over a long term. The coordination of capital investments in the extractive industries is justified above all by the economically rational distribution of expenses between the CMEA member-countries concerned in proportion to their participation in solving the fuel and raw material problems.

The CMEA member-countries by coordinating their capital investments can achieve a more effective combination of their national economic and international factors of production—investments, scientific and technical achievements, manpower and natural resources. Capital investments coordination is to help them achieve more effective economic growth factors, which may yield appreciable advantages to interested countries and also consolidate the position of the socialist community in the world economy.

As the international socialist economic integration deepens, the structure of production in the CMEA countries will increasingly improve on the basis of balanced economic development on the scale of the entire socialist community. A purposeful coordinated investment policy within the CMEA framework is highly instrumental in forming the optimal production structure of the socialist countries' economic complex.

Analysis of economic relations between the CMEA countries shows that investments are becoming an important object of international socialist cooperation and a major factor deepening the international socialist division of labour.

In our opinion, the basic conditions for effective

coordination of the CMEA countries' capital investments are as follows:

a complex approach (including questions of scientific and technical development, investments and sales) to the coordination of plans for developing the agreed industries and lines of production over the long term;

combination of the planning, organizational and contract instruments of the economic mechanism of cooperation and of the national mechanisms of economic management, with their further improvement as applied to investment cooperation between the CMEA member-countries concerned;

consistent orientation of investment coordination towards the setting up of optimal productive capacities in the CMEA countries, towards their ever more rational distribution, and the improvement of the existing productive structure in individual CMEA countries and the community as a whole.

Improvement of the commodity and financial instruments of cooperation in the joint construction of big projects is one of the major problems facing the CMEA members when expanding their capital investment coordination. These instruments include in particular: determination of the cost of a project and its expression in terms of transferable rubles; the level of interest on credits, including that in convertible currency; definition of the range of allied projects; methods for evaluating the efficiency of participation in cooperation, and so on.

As most of the socialist countries are changing over from extensive to predominantly intensive economic development the need for scientifically-based proposals to improve the commodity and financial instruments of investment cooperation increases.

Problems of the CMEA countries' capital investment coordination calls for a complex approach to their solution and to their deep-going investigation in conjunction with the study of questions relating to the development of the international socialist division of labour.

It is necessary to work out scientifically-based proposals for improving the coordination of the CMEA members' investments. In January 1982 Bratislava was the venue of an international meeting devoted to questions of the CMEA countries'

capital investment coordination and the elaboration of proposals to improve the methods they use which could be taken into account when coordinating economic development plans for 1986-1990.

One of the basic questions discussed at the meeting was the problem of improving capital investment coordination in the CMEA members' planning activity. The way the question is posed derives from the premise that cooperation between these countries in the field of planning applies to all stages of the production cycle, including the investment process. That is why the methods and forms of efficient cooperation in planning can also be used as a means of investment coordination.

By applying the complex approach (beginning with science and technology through investments to sales) when coordinating development plans for the agreed industries and lines of production for the long term it is also possible to determine better conditions for coordinating the capital investments of the CMEA member-countries. By way of example we shall mention the elaboration and execution of multilateral agreements on cooperation for the long-term development of integrated power systems up to 1990, on cooperation in developing a common system of modern computers, and others.

Execution of long-term specific programmes of cooperation in the major sectors of the economy is also a sound basis for gaining practical experience in developing effective capital investment coordination. In drawing up such programmes an important role belongs to the trends of international specialization and cooperation in production. The question concerns above all the more precise calculation of the long-term needs of interested CMEA countries for products allotted and agreed upon and the tying in of the development of the relevant lines of production with the investment, industrial, manpower and financial resources of these member-countries.

Thus, in order to make international specialization and cooperation in production efficient it is necessary to define the long-term requirements of the CMEA countries concerned for specialized articles, and also the material and technical base to meet the requirements identified, as well as the economic interest of each participant in the programme. This in fact means elaboration of a joint balance sheet for the economically justified long-term requirements of the interested CMEA countries, draw-

ing up of summary economic estimates, and finding solution variants relating to international specialization and cooperation in production on the basis of real and potential resources. In so doing it is important to work out joint long-term programmes (for 10-20 years) for setting up and expanding specialized productive capacities in the interested CMEA member-countries. Elaboration of a summary balance of individual types of production and consumption for the long term, as well as identification of the real possibilities of interested countries as regards the allocation of appropriate material resources, investments included, form the basis of coordinated production planning. The comparison of the volumes of production and the expected requirements for the planned period makes it possible to reveal a shortage or surplus of resources for individual types of production in both separate member-countries and the community as a whole.

The results of the comparison of the existing capacities and the resources which interested countries can allocate for the manufacture of the mutually agreed types of products are used when coordinating the relevant investments. Account is taken at that of such factors as the degree of participation in setting up requisite capacities (construction of new and expansion of existing enterprises), provision of optimal capacities in given industries, their rational distribution on the territory of interested countries, choice of appropriate technological processes with due regard for the available raw materials and the level of technology. Here the basic criterion of investment activity is the provision of optimal capacities for a given line of production.

An optimal productive capacity implies not only an individual enterprise; it may be a complex of cooperating plants far away from one another (probably in different countries), whose common output corresponds to the results of operation of an optimally large productive capacity which meets the requirements of the latest world standards.

The basic direction in setting up optimal productive capacities in the CMEA countries' manufacturing industries should, in our opinion, be the expansion and deepening of efficient specialization and, above all, cooperation in production in close interconnection with the coordinated use of the

scientific and technical potential of the socialist community.

We see ways of solving this problem in the reasonably limited assortment of articles manufactured in certain countries that will meet the requirements of the interested CMEA countries and in an improvement of planning, commodity and financial and also legal instruments.

A further improvement in the coordination of the CMEA member-countries' capital investments as a means for raising their efficiency in developing national economies of interested member-countries and international socialist economic integration as a whole will, no doubt, help raise the efficiency of social production in the CMEA members and create favourable conditions for them to speed up the transition of their economies from extensive to predominantly intensive development. An important role in this process belongs to trade between the CMEA countries, which will increasingly be used to implement the long-term specific programmes of cooperation in the agreed economic sectors thereby ensuring mutual shipments of machines, equipment, building structures, industrial raw materials, and so on. On the other hand, the growing volume of shipments of basic means of production will call for deeper coordination of the CMEA countries' capital investments.

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CSO: 1812/27

TRADE WITH INDUSTRIALIZED COUNTRIES

FRG PIPE SUPPLIER INTERVIEWED

Moscow MOSCOW NEWS in English No 40, 10-17 Oct 82 p 4

[Interview with Dieter Meyer by Viktor YEVKIN, date and place not specified]

[Text]

Dieter Meyer, business manager of the Mannesmann Handel AG group, turned out to be a loquacious man.

"Indeed, businessmen of any firm of the Mannesmann company have something to say about cooperation with Soviet partners," he told me. "Cooperation involves practically all branches of modern technology, linked to engineering, the construction of industrial installations, the production of pipes, etc.

"I would like to make special mention of the company's participation in the 'gas-pipes' contract, in accordance with which we shall supply 1.2 million tons of large-diameter pipes in 1982-1983 for the construction of the export gas pipeline Urengoi-Uzhgorod. In the FRG people well understand the profitability of this deal, which promises our country a reliable fuel supply for many years to come.

"In March, I myself went to Urengoi and saw how our understandings are being put into practice, and in what severe natural conditions people are building the main pipeline, along which gas will flow to Western Europe.

"Mannesmann is the general supplier under this agreement. Sixty per cent of all our large-diameter pipe export is to the Soviet Union. We are satisfied with these results and there is no question of any fold-up of trade with the USSR. We are against any restriction in trade, from whatever country the initiative may come. The results of this policy are evident: the com-

pany's exports to CMEA countries alone, primarily to the USSR, last year stood at DM 1,144 million.

"I have already spoken about our deliveries, but real business is the ability not only to sell well but also to buy well.

"We are very pleased, for example, with the way Soviet machines for the production of thin-walled pipes and other machine tools and equipment function at our enterprises. Mannesmann also imports products from ferrochromium and ore. We maintain close ties with the Soviet foreign trade associations Promsyrvoimport, Mashinimport and Metallurgimport. Successful business is assisted in many ways by the firm's representatives in Moscow, without whom we could perhaps no longer do nowadays.

"However, the picture of cooperation would not be complete unless I mentioned the participation of our and Soviet specialists in R & D projects. For instance, in early September we held a symposium in Moscow on large-diameter pipes jointly with the Ministry of Oil and Gas Engineering. The programme of cooperation with the USSR State Committee for Science and Technology is being successfully realized.

"In short, durable business contacts have been formed in the sphere of trade, science and engineering. And this, in the final analysis, is a dependable bridge to mutual understanding among people."

INCREASED INTEREST BY SMALL, MEDIUM FINNISH ENTERPRISES IN SOVIET TRADE

Moscow MOSCOW NEWS in English No 45, 14-21 Nov 82 p 4

[Text]

Mr Matti Ranki, General Director and Chairman of the Board of Skopbank, explained the opening of the bank's office in Moscow by referring to the need to keep abreast of the times. Skopbank is the central financial organization of Finnish savings banks, whose fixed capital was 284,000,000 Finnish marks at the end of 1981. The Skopbank group has long maintained contacts with the savings-banks administration of the USSR State Bank and has maintained corresponding relations with the USSR Bank for Foreign Trade since 1965.

"The USSR has been among Finland's more important trade partners for more than 30 years now," said Mr. Ranki at the opening ceremony of the bank's Moscow office. "Last year our country did about a quarter of its foreign trade with the USSR. This trade has had a considerable influence on the development of Finland's economy. In the 50's our exports to the USSR created the grounds for the rapid growth and development of the metal-working industry. Later on trade became more diversified.

"Special mention should be made of the construction projects which Finnish firms helped or are now helping to build in the USSR, particularly those in Kostomuksha and Svetogorsk. They had a considerable influence on employment of manpower precisely in those areas of Finland which were the worst hit by unemployment. Because of their vast size, these construction projects drew a large number of Finnish firms into co-operation with their Soviet colleagues."

From an interview with Matti Ranki:

Question: Who are your big-

gest clients?

Answer: They are, above all, construction firms, the biggest of which is Finstrol, which is taking part in the Svetogorsk and Kostomuksha projects; the Polar joint-stock company and the Haka firm, which also co-operate with your country.

The opening of our office in Moscow was an example of the lively development of Finland-USSR economic relations. Small and medium-sized enterprises are the main clients of the Skopbank group. It is they who are now displaying increasing interest in trade with the USSR, and some good deals have already been made.

Q.: What importance do you attach to the participation by small and medium-sized firms in the cooperation with the USSR?

A.: A Finnish proverb has it that a mighty river is made up of many brooks. It is the same in international trade. Each one does whatever he can and thus business relations expand. We are going to help these firms to penetrate the Soviet market, establish contacts and organize business meetings. This will help also to diversify trade, because our clients — small and medium-sized enterprises — specialize in the most diverse industries.

* * *

The Skopbank is the 33rd foreign banking organization to open an office in Moscow, and the third such office from Finland. The opening of the 80's saw the beginning of Skopbank's energetic activities in the Soviet market and the scope of its operations has tripled in the period of 1980-1981. Similar progress is expected by the end of this year.

TRADE WITH INDUSTRIALIZED COUNTRIES

INCREASED TRADE WITH NATION SOUGHT BY ITALIAN TRADE GROUP

Moscow MOSCOW NEWS in English No 46, 21-28 Nov 82 p 4

[Text] I met Dr Bazzano, manager of the Moscow branch of the Italian Institute of Foreign Trade, in his office on Kutuzovsky Prospekt. "It's a happy day for me," he smiled.

The USSR Chamber of Commerce and Industry awarded Dr Bazzano a memorial medal for the development of trade relations between the Soviet Union and Italy.

"You know," he says, "Soviet-Italian trade goes on truly quite well. In my opinion, it is quite logical. There was a time when our commercial organizations underestimated the significance of the Soviet market. Life has shown that they lost a lot as a result. We are now making up for the lost opportunities, trying to regain the positions which Italy gave away to some other Western countries some time ago."

"By the way, the efforts on the part of the Italian Institute of Foreign Trade play a great role in this positive process," continues Dr Bazzano. "The Institute attentively studies the possibilities that exist in our countries for increasing export and import. We consult Italian firms on trade with the USSR, informing them about products they could supply to the Soviet

Union."

"It would be interesting to learn about the results of the Moscow branch of the Institute."

"Let us consider the development of business relations between Italy and the Soviet Union. Trade was 5.4 thousand million roubles between 1972 and 1976, and 12.5 thousand million roubles between 1977 and 1981. In other words, turnover increased 130 per cent."

"We sell the USSR equipment for the car and chemical industries, and gas pipelines, metal-cutting machine tools, road-building machinery, rolled steel, pipes, and consumer goods. Our country buys from the USSR chemical products, steel, certain machines and equipment, gas, oil and oil products, and raw materials."

"It is one thing to agree upon a sale and quite another to supply the product to the buyer in due time. Quite unpredictable difficulties arise sometimes at the very last stage of the transaction, and they may not be caused by business considerations at all. For example, there is the US embargo on delivering equipment manufac-

tured for the Siberia-Western Europe gas pipeline. Have such measures affected the operation of Italian firms?"

"As far as I know, the Italian firms intend to fulfil the contracts concluded with the Soviet foreign trade associations. Moreover, at the recent international exhibition Chemistry-82 in Moscow, in which more than 60 Italian firms took part, our businessmen talked to the largest foreign trade associations Soyuzkhimexport, Raznoimport, Tekhmashimport, and Soyuzpromexport. There was no mention at all of any trade limitations linked to political motives."

"One more example. The turbines for the giant gas pipeline that were manufactured at the plants of Nuovo Pignone firms, have already been shipped from Livorno to the USSR."

The businessman takes a blue folder out of a drawer and lays it in front of him. "Here," he proudly slaps the papers, "are our plans for the near future. The USSR Food Programme has affected these plans in a most serious way. Yes. The grand Soviet project has aroused the interest of our country's business circles."

Dmitry PETROKOVSKY

CSO: 1812/28

GENERAL

REGULATIONS OF USSR-FOREIGN TRADE BANK

Moscow SOBRANIYE POSTANOVLENIY PRAVITEL'STVA SOYUZA SOVETSKIKH
SOTSIALISTICHESKIKH REPUBLIC in Russian No 18, 1982, pp 331-348

[Text] 95 On Ratification of the Regulations of the USSR Bank for Foreign
Trade

The USSR Council of Ministers decrees:

1. To ratify the appended Regulations of the USSR Bank for Foreign Trade
(USSR Foreign-Trade Bank).
2. To declare as no longer in force the decrees of the USSR Council of Min-
isters of 22 August 1962, No 862 "On Ratification of the Regulations of the
USSR Foreign-Trade Bank (SP SSSR, No 16, 1962, p 129), of 16 July 1965, No 560
"On Introduction of Changes in the Regulations of the USSR Foreign-Trade Bank"
(SP SSSR, No 16, 1965, p 125) and of 8 May 1974, No 344 "On Changing of Para-
graph 54 of the Regulations of the USSR Foreign-Trade Bank" (SP SSSR, No 11,
1974, p 57).

Chairman
of the USSR Council of Ministers N. Tikhonov

Administrator of Affairs
of the USSR Council of Ministers M. Smirtyukov

Moscow, the Kremlin, 7 June 1982, No 500.

Ratified
by a Decree of the USSR Council
of Ministers
of 7 June 1982, No 500

REGULATIONS OF THE USSR BANK FOR FOREIGN TRADE

1. GENERAL CONSIDERATIONS

1. The USSR Bank for Foreign Trade (USSR Foreign-Trade Bank) is a joint stock company.

The USSR Foreign-Trade Bank, on the basis of the state plan for economic and social development of the USSR, extends credit for operations connected with foreign trade and other types of foreign-economic activity of the Soviet Union, carries out foreign-exchange operations, international payments for the export and import of goods and rendering of services as well as other payments.

The USSR Foreign-Trade Bank, in fulfilling the indicated functions, contributes to strengthening of USSR cooperation with foreign countries in the field of foreign trade and other foreign-economic as well as scientific-technical and cultural relations and to the development and boosting of the efficiency of public production.

The location of the USSR Foreign-Trade Bank is in the city of Moscow, USSR.

2. The USSR Foreign-Trade Bank is guided in its activities by USSR laws, other decisions of the USSR Supreme Soviet and its Presidium, decrees and instructions of the USSR Council of Ministers, the present Regulations as well as international treaties of the USSR.

3. The USSR Foreign-Trade Bank is a juridical entity and operates on the principles of cost accounting. The USSR Foreign-Trade Bank possesses independent [obosoblennoye] property; it can in its name acquire property and personal property rights and carry accountability and be a plaintiff or defendant in court, arbitration or in an arbitration court. The USSR Foreign-Trade Bank can carry out transactions in the USSR and abroad conforming to the purposes of its activity.

4. The USSR Foreign-Trade Bank is responsible in its obligations for property belonging to it for which a penalty could be applied on the basis of USSR legislation.

The USSR Foreign-Trade Bank is not responsible for liabilities of the state just as the state is not responsible for liabilities of the Bank.

The USSR Foreign-Trade Bank is not responsible for the liabilities of shareholders of the Bank just as the shareholders are not responsible for liabilities of the USSR Foreign-Trade Bank.

5. The USSR Foreign-Trade Bank together with all its institutions on the territory of the USSR (all-union associations, offices, departments, agencies) constitutes a single centralized system.

Institutions of the USSR Foreign-Trade Bank conduct foreign-exchange, credit, payment and other banking operations within the limits of the powers granted them by the Bank and in its name.

Organizations created for assisting in the activities of the Bank come under the jurisdiction of the USSR Foreign-Trade Bank.

The USSR Foreign-Trade Bank may open in accordance with prescribed procedure its branches, agencies and representations abroad.

6. The USSR Foreign-Trade Bank guarantees the safety of monetary funds and other assets received from its clients and correspondents on accounts, in deposits, for storage and also for remittance or transfer.

Monetary funds and other valuables, accepted by the USSR Foreign-Trade Bank for accounts, into termless deposits, for storage and also for remittance or transfer (up to time of use). The procedure of issue to owners of monetary funds and other valuables, accepted for term deposits is established by the USSR Foreign-Trade Bank.

7. Monetary funds and other valuables of Soviet organizations, located in the USSR Foreign-Trade Bank, can be attached or subjected to a penalty only in the case and in the manner provided by existing legislation.

Monetary funds and other valuables, accepted by the USSR Foreign-Trade Bank for accounts, into termless deposits, for storage and also for remittance or transfer (up to time of use) are subject to payment to owners at their first request. The procedure of issue to owners of monetary funds and other valuables accepted for term deposits is established by the USSR Foreign-Trade Bank.

Monetary funds and other valuables of citizens, located in the USSR Foreign-Trade Bank in accounts and in deposits, may be attached only on the basis of:

decrees of courts and investigatory organs relating to criminal cases being handled by them as well as in cases of investigation of matters relating to confiscation of property stipulated by the law;

decrees of courts handling civil cases stemming from criminal cases, cases of collection of alimony (in the absence of earnings or other property that could be attached for collection) or on division of a deposit that is joint property of the spouses.

8. The USSR Foreign-Trade Bank guarantees secrecy concerning operations, accounts and deposits of its clients and correspondents. All persons occupying elective positions in the USSR Foreign-Trade Bank as well as its employees are charged with preserving secrecy concerning operations, accounts and deposits of the Bank, its clients and correspondents.

Information concerning operations and accounts of legal entities and other organizations may be issued by the organizations themselves, their higher organs, courts and arbitration organs as well as finance organs regarding questions of taxation.

Information on accounts and deposits is issued to, aside from clients and their representatives, courts and investigatory organs in cases where monetary funds

and other valuables located in accounts and in deposits may be attached or subject to payment.

Information relating to accounts and deposits in cases of death of their owners is issued to persons indicated by the owner of the account or deposit in a testamentary disposition made to the Bank, state notary offices as well as foreign consular institutions.

9. The USSR Foreign-Trade Bank has a round stamp with the inscription "USSR Bank for Foreign Trade." Institutions of the USSR Foreign-Trade Bank have a stamp with the same inscription and with their name on it.

II. CAPITAL, FUNDS AND SHARES OF THE USSR FOREIGN-TRADE BANK

10. The USSR Foreign-Trade Bank has share capital, reserve capital, a basic-resource fund, an amortization fund, a fund for banking development and other special funds.

11. The share capital amounts to 1,000,000,000 rubles and is divided into 20,000 shares valued at 50,000 rubles each. The Bank's share capital has been fully paid off.

Share capital can be increased on the basis of a decision of the General Meeting of Shareholders of the USSR Foreign-Trade Bank.

12. Reserve capital is formed through the means of deductions of net profit of the USSR Foreign-Trade Bank in a manner and in a size determined by the present Regulations.

13. Share and reserve capital serves as a security for the liabilities of the USSR Foreign-Trade Bank.

14. The fixed-capital fund consists of buildings, structures and other property included in the fixed capital belonging to the USSR Foreign-Trade Bank.

15. The amortization fund is formed and expended in a manner established by USSR legislation.

16. The fund for banking development is formed from deductions from net profit of the USSR Foreign-Trade Bank and is intended for the financing of measures carried out within the system of the USSR Foreign-Trade Bank and organizations within its jurisdiction for the introduction of new equipment, for mechanization and automation of banking operations and modernization of equipment as well as work on construction and repair of buildings and monetary depositories.

The statute on the banking development fund is approved by the USSR Foreign-Trade Bank.

17. Shares of the USSR Foreign-Trade Bank can belong only to Soviet state, cooperative and other public organizations.

18. Shares of the USSR Foreign-Trade Bank are inscribed and are registered in the shareholders' book, which is maintained by the Bank's Board.

Transfer of shares is done according to a procedure established by the General Meeting of Shareholders.

The question of preparation of shares is decided by the Board.

19. Each share of the USSR Foreign-Trade Bank gives a shareholder the right of one vote in the solution of all questions examined at the General Meeting of Shareholders, the right of obtaining a dividend and also to a corresponding portion of the Bank in case of its liquidation.

20. An increase of share capital of the USSR Foreign-Trade Bank is done by means of an additional issue of shares. The General Meeting of Shareholders determines the number of additional shares to be issued, the manner of their distribution and time periods of payment, which cannot exceed one year.

III. OPERATIONS OF THE USSR FOREIGN-TRADE BANK

21. The USSR Foreign-Trade Bank in accordance with international agreements of the USSR concludes with foreign and international banks and other organizations agreements (understandings) [dogovory (soglasheniya)] on the manner of accomplishing international payments and maintenance of clearing, credit and other accounts.

The USSR Foreign-Trade Bank concludes with foreign and international banks and other credit institutes correspondent and other agreements (understandings) on conditions and on manner of accomplishing international payments, maintenance of bank accounts, on granting and obtaining credits and on performing other operations specified by the present Regulations.

22. The USSR Foreign-Trade Bank accepts funds in Soviet and foreign currencies for accounts and for deposits of Soviet, foreign and international banks and other organizations as well as from citizens and places funds in accounts and in deposits in Soviet, foreign and international banks and other credit institutions.

Conditions of opening in the USSR Foreign-Trade Bank of accounts and deposits in foreign exchange, as well as the manner of handling of funds in Soviet and foreign currencies found in the Bank in accounts and in deposits are determined by the USSR Ministry of Finance.

The manner of dealing with funds located in the USSR Foreign-Trade Bank in correspondent accounts of Soviet, foreign and international banks and the procedure of opening and maintaining these accounts as well as conditions of placement in deposits in the Bank in behalf of correspondent banks of funds in Soviet and foreign exchanges are determined by the USSR Foreign-Trade Bank on the basis of agreements (understandings) concluded with these banks.

23. The USSR Foreign-Trade Bank can credit and pay interest on accounts and deposits contained in the Bank.

The sizes of interest rates on accounts and deposits in Soviet currency of Soviet organizations and citizens are determined by the USSR Council of Ministers. The sizes of interest rates for accounts and deposits in foreign exchange as well as for accounts and deposits in Soviet currency of foreign and international banks and other organizations and foreign citizens are determined by the USSR Foreign-Trade Bank.

The manner of crediting and paying interests on the indicated accounts and deposits is determined by the USSR Foreign-Trade Bank.

24. Owners of accounts and deposits can make disposition according to a procedure established by the USSR Foreign-Trade Bank in case of death on release of funds contained in an account or in a deposit to any person as well as state or individual state, cooperative or other public organization.

Funds in an account or in deposit for which testamentary disposition has not been made are issued by the USSR Foreign-Trade Bank in case of death of their owner to heirs according to procedure established by USSR legislation.

25. The USSR Foreign-Trade Bank conducts the purchase and sale of payment documents in Soviet currency as well as performs other transactions and banking operations with these documents.

The USSR Foreign-Trade Bank in accordance with the present Regulations and by virtue of the powers granted it by the USSR State Bank, conducts on the territory of the USSR the purchase from organizations and citizens and sale to them of foreign exchange (bank notes, bills of exchange, letters of credit and others) in foreign exchange and other exchange valuables and also performs other transactions and banking operations with exchange valuables.

The USSR Foreign-Trade Bank, in accordance with prescribed procedure, conducts the sale of foreign exchange to Soviet, foreign and international organizations and citizens for its transfer abroad.

Operations relating to the purchase and sale of foreign exchange are performed by the USSR Foreign-Trade Bank according to the rate of exchange of the USSR State Bank.

26. The USSR Foreign-Trade Bank performs operations abroad relating to the purchase and sale of foreign exchange and other exchange operations in accordance with international banking practice.

27. The USSR Foreign-Trade Bank according to established procedure carries out in the USSR and abroad the purchase and sale of gold, silver, platinum and other precious metals, natural precious stones and also items made from precious metals and precious stones and performs other transactions and banking operations with these valuables.

28. The USSR Foreign-Trade Bank with the agreement of the USSR State Bank issues travel checks [dorozhnyye cheki] and also other bank payment documents in Soviet and foreign currency and establishes the procedure for performance of operations with these documents.

29. The USSR Foreign-Trade Bank may obtain from foreign and international banks and other organizations and grant to these banks and organizations credits and loans in forms employed in international banking practice and also provide security for the obtained credits and loans in the form of bills of exchange, bonds and other notes [obyazatel'stva] of the Bank.

30. The USSR Foreign-Trade Bank in accordance with international treaties of the USSR or on the basis of authority obtained from the USSR State Bank carries out accounting of state credits and loans granted to the Soviet Union by foreign states and obtained from abroad and also carries out international payments for these credits and loans.'

31. The USSR Foreign-Trade Bank in accordance with credit plans issues under the system of direct, special-purpose, term and returnable credit extension credits (loans) to Soviet foreign-trade and other organizations for operations connected with foreign trade and other forms of foreign-economic activity of the USSR.

Credits are granted by the USSR Foreign-Trade Bank for a period of up to 12 months depending on the conditions of transactions relating to operations involving credit. Granting of credits for longer periods may be done in cases provided by USSR legislation.

The USSR Foreign-Trade Bank may in accordance with established procedure grant to Soviet organizations credits in foreign exchange.

Forms of credits and manner of their granting and repayment are established by the USSR Foreign-Trade Bank.

32. Borrowers pay interest to the Bank at prescribed rates for credits in Soviet and foreign currency obtained from the USSR Foreign-Trade Bank.

Sizes of interest rates for credits in Soviet exchange granted by the USSR Foreign-Trade Bank to Soviet organizations are determined by USSR legislation.

Sizes of interest rates for credits in foreign exchange as well as for credits in Soviet currency granted by the USSR Foreign-Trade Bank to foreign and international banks and organizations are set by the USSR Foreign-Trade Bank.

33. The granting of credits in Soviet and foreign currencies by the USSR Foreign-Trade Bank is done under the condition of receiving from the borrower appropriate security for the return of credit in the form of a deposit, guarantee and in other forms in conformity with USSR legislation and international banking practice.

34. The USSR Foreign-Trade Bank accepts as security in ensuring of credits with unpledged exported and imported goods and other commodity stocks, bills of exchange and documents disposing of goods, precious metals, foreign exchange, valuable papers and other monetary obligations in Soviet and foreign currencies.

Bills of exchange and other monetary obligations relating to foreign-trade operations are accepted by the USSR Foreign-Trade Bank in security and for discounting on the condition that they are based on trade transactions.

The manner of pledging commodity and other valuables at the USSR Foreign-Trade Bank is determined by the Bank.

Commodity stocks located abroad, serving as security of credits of the USSR Foreign-Trade Bank for foreign-trade and other operations, must be insured at the expense of the client.

35. The USSR Foreign-Trade Bank carries out banking operations relating to international payments of the USSR both of a trade and nontrade character. International settlements are done by the Bank in the form of letters of credit, encashment, remittance and in other forms employed in international banking practice. The procedure of carrying out these operations is determined by the USSR Foreign-Trade Bank.

36. The USSR Foreign-Trade Bank can ensure the fulfillment in monetary form of obligations of Soviet, foreign and international organizations stemming from foreign-trade and other transactions through the means of assumed responsibility, guarantee, endorsement of notes and other forms of assurance used in international banking practice.

The indicated operations are performed on the instructions and at the expense of Soviet, foreign and international organizations (on their presentation of appropriate security) in accordance with procedure established by the USSR Foreign-Trade Bank.

37. The USSR Foreign-Trade Bank may assume obligations by means of putting out notes and bills of exchange, do discounting and purchasing of promissory notes and conduct other operations with notes and bills of exchange.

38. The USSR Foreign-Trade Bank accepts for safekeeping and on commission foreign exchange, precious metals and other monetary assets and other valuables.

39. Settlements between Soviet organizations connected with foreign trade and other forms of foreign-economic activity of the USSR as well as on the basis of other reasons are carried out by the USSR Foreign-Trade Bank in forms prescribed by the USSR State Bank.

40. The USSR Foreign-Trade Bank carries out cash operations for its clients.

41. The USSR Foreign-Trade Bank may receive any kind of property on the basis of wills and also perform the duties of an executor of a will with respect to inherited property intended for generally useful purposes.

42. The USSR Foreign-Trade Bank may in accordance with established procedure acquire, expropriate [otchuzhdat'] and rent plots of land, buildings and structures, including office and dwelling space, needed for the requirements of its divisions, agencies and representations.

43. The USSR Foreign-Trade Bank may in accordance with established procedure be an establisher or participant of banking and other societies and associations located both in the USSR and abroad whose activity corresponds to the tasks of the Bank.

IV. RIGHTS OF THE USSR FOREIGN-TRADE BANK

44. The USSR Foreign-Trade Bank for the purpose of ensuring the operations performed by it and fulfilling the functions assigned it is granted the right:

(a) to issue on the basis and in observance of existing legislation within the limits of its competence instructions and other acts that are obligatory for its clients;

(b) to obtain from Soviet foreign-trade and other organizations having accounts in the USSR Foreign-Trade Bank, bookkeeping accounts and balances with pertinent appendices, financial plans as well as information about the existence, receipt and sale of credited commodity stocks and other data required for credit extension and settlements;

(c) to carry out a check of monetary and settlement documents, bookkeeping entries, reporting and operational statistical materials of foreign-trade and other Soviet organizations having accounts in the USSR Foreign-Trade Bank;

(d) to verify the use according to designated purpose of credits issued by the USSR Foreign-Trade Bank as well as the presence, conditions of storage and safety of commodity stocks serving as security for the Bank's credits.

45. With respect to debtors that do not fulfill their obligations to the USSR Foreign-Trade Bank and violate credit or settlement discipline or the conditions of credit agreements, the USSR Foreign-Trade Bank has the right:

(a) to discontinue completely or partially credit extension with the exception of cases provided by USSR legislation;

(b) to recover credits ahead of schedule in cases of occurrence of unsecured debts, the use of issued funds for not the designated purpose or in cases of violation of established rules of credit extension, sale or expenditure of secured valuables without turning over the sums so acquired for settlement of indebtedness to the USSR Foreign-Trade Bank, unsatisfactory storage of commodity stocks serving as security of the Bank's credits, digression from bank control as well as in cases of termination of credit extension to the organization;

(c) to take other measures of credit action provided by existing legislation and credit agreements.

46. On the basis of claims of the USSR Foreign-Trade Bank arising in connection of arrival of time or delay of payments and also in connection with ahead-of-schedule collection of credits issued to Soviet organizations, the USSR Foreign-Trade Bank carries out a recovery in an indisputable manner on the basis of a fixed-date debenture, a debenture collectible on presentation and for special loan accounts--on the basis of a statement of liability.

In the presence of an overdue indebtedness of more than 60 days pertaining to credits secured with commodity stocks, the USSR Foreign-Trade Bank has the right after satisfaction of claims on wages and payments into the budget to direct receipts from the sale of these valuables to the repayment of the indebtedness.

In the absence of funds in the debtor's account recovery may also be directed to unpledged commodity stocks belonging to the debtor with the exception of fixed capital and other property that in accordance with existing legislation cannot be subject to exaction.

The sale of unpledged property of a debtor is done through a court executor in recovery of overdue indebtedness--on the basis of a notarial executive inscription, in ahead-of-schedule recovery of indebtedness--on the basis of an order issued on the basis of a decision of a court or an order of arbitrage organs.

47. In the full or partial repayment of indebtedness, the USSR Foreign-Trade Bank may reckon all monetary funds and other valuables of the debtor due him from the USSR Foreign-Trade Bank for any reason whatsoever (aside from valuables stored in safes rented from the Bank or turned over to the Bank for safekeeping in containers or envelopes sealed by the client).

The USSR Foreign-Trade Bank can exercise the right of recovery by means of collection of indebtedness the term of which has not yet come where the debtor organization has turned to liquidation of its affairs or ceased payments on its obligations as well as in cases where the USSR Foreign-Trade Bank has the right to make ahead-of-schedule recovery of issued credits or recovery of sums due it for other reasons.

V. ADMINISTRATION OF THE USSR FOREIGN-TRADE BANK

48. The organs of administration of the USSR Foreign-Trade Bank are the General Meeting of Shareholders, the Council and the Board.

An Auditing Commission operates in the USSR Foreign-Trade Bank.

GENERAL MEETING OF SHAREHOLDERS

49. The highest organ of administration of the USSR Foreign-Trade Bank is the General Meeting of Shareholders. Sessions of the General Meeting of Shareholders are regular and extraordinary.

Regular sessions of the General Meeting of Shareholders are convoked not less than once a year.

Extraordinary sessions of the General Meeting of Shareholders are convoked by the Board with the consent of the Council or on the suggestion of the Council or Auditing Commission or on the petition of shareholders who have not less than one-twentieth of the Bank's share capital for the resolution of urgent questions arising in the course of activity of the USSR Foreign-Trade Bank and existing outside the limits of competence of the Board or the Council.

50. Shareholders of the USSR Foreign-Trade Bank are notified in writing of a session of the General Meeting of Shareholders not later than two weeks prior to the start of a session. The notifications indicate questions which are entered for discussion by the General Meeting of Shareholders.

51. The following come under the competence of the General Meeting of Shareholders of the USSR Foreign-Trade Bank:

- (a) election of chairmen, deputy chairmen and members of the Bank's Council and Board, chairmen and members of the Auditing Commission as well as their early release from the position;
- (b) approval of the annual report and balance of the Bank as well as distribution of its profit;
- (c) examination of questions of change or addition to the Regulations of the USSR Foreign-Trade Bank;
- (d) decision of the question of increasing the Bank's share capital;
- (e) approval of reports of the Auditing Commission;
- (f) decision of the question of termination of the activity of the USSR Foreign-Trade Bank.

On the initiative of the Council and the Board, other fundamental questions relating to the activity of the USSR Foreign-Trade Bank may also be submitted for examination by the General Meeting of Shareholders.

52. At a session of the General Meeting of Shareholders, their representatives, acting on the basis of power of attorney, also take part in the name of shareholders of the USSR Foreign-Trade Bank.

Heads of organizations, who are shareholders of the Bank, participate in the session of the General Meeting of Shareholders without a power of attorney.

53. The General Meeting of Shareholders is competent to decide on questions submitted for its examination if shareholders take part in the session of the General Meeting that own no less than half of the shares of the USSR Foreign-Trade Bank. Decisions of the General Meeting of Shareholders are adopted with

a majority of votes, which is determined on the basis of the number of shares belonging to shareholders of the Bank taking part in the session.

Decisions of questions relating to change and addition to the Regulations of the USSR Foreign-Trade Bank and on termination of its activity can be adopted by a majority of the votes of shareholders owning no less than two-thirds of the Bank's shares.

54. A session of the General Meeting of Shareholders is presided by one of the representatives of the shareholders elected following opening of the session prior to the beginning of examination of other matters. Before the election of the Chairman of the General Meeting of Shareholders, the session is opened and conducted by the Chairman of the Council of the USSR Foreign-Trade Bank or his deputy.

55. Elections to the staff of the Council, Board and Auditing Commission of the USSR Foreign-Trade Bank are held by the General Meeting of Shareholders in accordance with a procedure established by them.

The question of early release of members of the Council, Board and Auditing Commission of the Bank from their position is examined by the General Meeting of Shareholders in the case where such a proposal is submitted by shareholders with no less than one-third of the Bank's shares.

THE COUNCIL

56. For general management of the operation of the USSR Foreign-Trade Bank as well as for observation and control of the work of the Board, the Council of the USSR Foreign-Trade Bank is created.

The Council is elected by the General Meeting of Shareholders with 21 members for 5 years from among representatives of the Bank's shareholders.

The General Meeting of Shareholders elects a Chairman and two Deputy Chairman from among the members of the Bank's Council.

57. In the case where a member of the Council has left or has been released from his position on the decision of the General Meeting of Shareholders prior to the expiration of the term to which he was elected, the General Meeting of Shareholders elects in his place a new member of the Council for the remaining time of the authority of the Council.

58. The Council is convoked by its Chairman not less than once a year.

59. The Council has the power to decide on questions submitted for its consideration of not less than one-half of the members of the Council participate in the session of the Council. Decisions of the Council are adopted by a majority vote. In case of a tie of votes, the vote of the Chairman of the Council is decisive.

60. The Council of the USSR Foreign-Trade Bank:

- (a) determines the general directions of the activity of the USSR Foreign-Trade Bank relating to the organization of credit, settlement and exchange relations and establishment of business ties of the Bank with foreign and international banks and other organizations and also coordinates the activities of the Bank with the activities of other Soviet organizations;
- (b) examines the propositions of long-term and annual credit and other plans of the USSR Foreign-Trade Bank and adopts appropriate measures and also approves plans of receipts, expenditures and profit of the Bank;
- (c) examines in advance all questions that are submitted for the consideration of the General Meeting of Shareholders;
- (d) examines general operational questions of institutions of the Bank and also decides in accordance with established procedure questions relating to the opening and closing of divisions, agencies and representations of the Bank abroad;
- (e) adopts decisions on the creation of special funds for the USSR Foreign-Trade Bank, determines the manner of their formation and use;
- (f) listens to reports on the activities of the Board;
- (g) examines other questions that are submitted for consideration of the Council on the initiative of the Board.

THE BOARD

61. The Board of the USSR Foreign-Trade Bank exercises supervision over the activities of the Bank and bears the responsibility for the fulfillment of tasks assigned to the USSR Foreign-Trade Bank.
62. The Board consists of the Chairman of the Board, the First Deputy Chairman, Deputy Chairman and other members of the Board elected by the General Meeting of Shareholders for 5 years.
63. In the case where a member of the Board has left or is relieved of his position on the decision of the General Meeting of Shareholders prior to the expiration of the term to which he was elected, the General Meeting of Shareholders elects in his place a new member of the Board for the remaining period of authority of the Board.
64. The Board of the USSR Foreign-Trade Bank examines at its regularly held sessions:
- (a) all questions which in accordance with the present Regulations are subject to examination or resolution by the General Meeting of Shareholders or the Council and prepares appropriate materials and proposals on their basis;

(b) questions of supervision of the work of structural subdivisions of the central apparatus and institutions of the USSR Foreign-Trade Bank, as well as of organizations under its jurisdiction.

(c) questions of credit extension for operations connected with foreign trade and other types of foreign-economic activity of the USSR, international settlements and exchange operations, conclusion of interbank agreements (understandings), accounting, reporting, intrabank control and other fundamental questions of activity of the Bank;

(d) questions of control over the observance of existing legislation by institutions of the Bank and organizations under its jurisdiction;

(e) propositions of the most important orders, instructions and other acts of the USSR Foreign-Trade Bank;

(f) questions of selection, training and use of cadres;

(g) general conditions and manner of issue by the USSR Foreign-Trade Bank of sureties, guarantees and other monetary commitments as well as of receipt of notes and other obligations relating to foreign-trade operations;

(h) procedure of signing monetary-payment documents and correspondence in the name of the USSR Foreign-Trade Bank;

(i) propositions of statutes on structural subdivisions of the central apparatus of the USSR Foreign-Trade Bank as well as of institutions of the Bank and of organizations under its jurisdiction;

(j) reports on the work of structural subdivisions of the central apparatus and institutions of the USSR Foreign-Trade Bank as well as of organizations under its jurisdiction;

(k) other questions submitted for consideration by the Board on the decision of the Chairman of the Board.

65. The Board of the USSR Foreign-Trade Bank is authorized to decide on questions submitted for its consideration if no less than one-half of the members of the Board take part in a session of the Board. Decisions of the Board are adopted by a majority of the vote. In case of a tied vote, the vote of the Chairman of the Board is deciding. In case of disagreement on the decision adopted by the Board, members of the Board may communicate their opinion to the Council or the General Meeting of Shareholders.

Decisions of the Board are implemented as a rule by orders of the Chairman of the Board.

66. The Chairman of the Board exercises supervision over the activities of the Board, bears a personal responsibility for fulfillment of the tasks assigned to the USSR Foreign-Trade Bank, determines the duties of Deputy Chairman of

the Board, establishes the degree of responsibility of his deputies and heads of structural subdivisions of the central apparatus of the USSR Foreign-Trade Bank over the state of affairs for the entrusted sector of work.

The Chairman of the Board of the USSR Foreign-Trade Bank:

- (a) issues orders, instructions and other acts relating to questions coming under the competence of the USSR Foreign-Trade Bank on the basis and in execution of USSR laws and other decisions of the USSR Supreme Soviet and its Presidium, decrees and instructions of the USSR Council of Ministers and the present Regulations;
- (b) disposes of property and funds of the USSR Foreign-Trade Bank in accordance with existing legislation, represents the Bank in all organizations both in the USSR and abroad, issues powers of attorney, establishes the procedure for signing of agreements, other transactions and debentures and issue of powers of attorney in the name of the Bank;
- (c) presents to the Council for consideration propositions of long-term and annual credit and other plans of the USSR Foreign-Trade Bank and for approval--plans of receipts, expenditures and profit of the Bank;
- (d) creates, reorganizes and liquidates institutions of the Bank and organizations under its jurisdiction on the territory of the USSR;
- (e) approves list of staff personnel of the central apparatus of the USSR Foreign-Trade Bank and also model structures and model staffs of institutions of the Bank and organizations under its jurisdiction;
- (f) determines the sizes and wage funds of personnel of institutions of the USSR Foreign-Trade Bank and organizations under its jurisdiction within the limits of the plan for work;
- (g) approves the size of commission recompense for the fulfillment by the USSR Foreign-Trade Bank of tasks of foreign banks and clients, the sizes of interest rates for accounts and deposits in foreign exchange as well as for accounts and deposits in Soviet currency of foreign and international banks and other organizations and foreign citizens;
- (h) appoints officials of the USSR Foreign-Trade Bank and fires them, establishes in accordance with existing legislation salaries, rewards outstanding personnel and imposes disciplinary penalties;
- (i) approves statutes on structural subdivisions of the central apparatus of the USSR Foreign-Trade Bank as well as on institutions of the Bank and organizations under its jurisdiction;
- (j) adopts decisions on presentation in the name of the USSR Foreign-Trade Bank of complaints and suits to organizations and citizens both in the USSR and abroad;

(k) grants in necessary conditions on the basis of petitioning of foreign-trade and other Soviet organizations for a period of up to 6 months postponement of repayment of credits issued for export, import and other operations and secured with commodity stocks, documents of commodity disposition, monetary obligations, exchange or other valuables.

68. The Chairman of the Board may entrust the solution of individual questions within its competence to heads of structural subdivisions of the central apparatus of the USSR Foreign-Trade Bank as well as institutions of the Bank and organizations under its jurisdiction.

THE AUDITING COMMISSION

69. For verification of the yearly report of the Board, cash and property of the USSR Foreign-Trade Bank as well as for auditing of accounting, reporting and office work in the Bank, the General Meeting of Shareholders elects an Auditing Commission for five years consisting of a chairman and four members.

The staff of the Auditing Commission may not have elected to it members of the Council and the Board as well as persons occupying any positions in the USSR Foreign-Trade Bank.

70. The Auditing Commission presents yearly to the General Meeting of Shareholders for approval a report on its work.

71. The Board provides a presentation for the disposition of the Auditing Commission of all materials needed for the carrying out of an audit.

VI. PROFIT DISTRIBUTION OF THE USSR FOREIGN-TRADE BANK

72. After submission into the union budget of payments specified by existing legislation, not less than 50 percent of the net annual profit of the USSR Foreign-Trade Bank is assigned to reserve capital and in prescribed amounts into the banking development fund and other special funds of the Bank. The remaining portion of the profit of the USSR Foreign-Trade Bank is distributed at the discretion of the General Meeting of Shareholders.

VII. ACCOUNTING AND REPORTING OF THE USSR FOREIGN-TRADE BANK

73. Payment, credit and cash operations of the USSR Foreign-Trade Bank are reflected in payment, current, loan and other accounts. Rules of conducting accounting and organization of document turnover at the USSR Foreign-Trade Bank and its institutions are determined by the Bank.

74. The operational year of the USSR Foreign-Trade Bank is reckoned from 1 January through 31 December inclusive.

75. Annual balances of the USSR Foreign-Trade Bank approved by the General Meeting of Shareholders are published in accordance with established procedure.

76. Writing off from the balance of the USSR Foreign-Trade Bank of indebtedness hopelessly unrecoverable, shortages and losses of commodity stocks belonging to the Bank, equipment and means of transport that are obsolete, worn and unfit for further use as well as outlays in connection with discontinued and unrealized capital operations is done with the permission of the Chairman of the Board of the USSR Foreign-Trade Bank if another procedure is not provided by USSR legislation.

VIII. DISCONTINUATION OF ACTIVITY OF THE USSR FOREIGN-TRADE BANK

77. The activity of the USSR Foreign-Trade Bank can be discontinued in accordance with procedure and in cases established by USSR legislation.

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